

**MINUTES  
REGULAR MEETING  
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, April 20, 2007  
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10<sup>th</sup> Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Dr. Keith Meredith, Chair of the ASRS Board, called the meeting to order at 8:40 a.m., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Dr. Keith Meredith, Chair  
Mr. Michael Townsend, Vice Chair (via teleconference)  
Mr. David Byers  
Mr. Tom Connelly  
Mr. Jaime Gutierrez (via teleconference)  
Mr. Jim McLaughlin  
Mr. Lawrence Trachtenberg  
Mr. Steven Zeman

Absent: Mr. Chris Harris

A quorum was present for the purpose of conducting business.

**2. Approval of the Consent Agenda**

**Motion:** Mr. Dave Byers moved to approve Refunds, Death Benefit, Retirements and System Transfers for the month of February, 2007;

*And*

Approve the minutes of the March 16, 2007, Regular and Executive Sessions of the ASRS Board.

Mr. Steve Zeman seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

### **3. Approval, Modification or Rejection of Request for Rehearing for Regina J. Dunn**

Mr. Thomas McClory, Assistant Attorney General, addressed the Board regarding Regina Dunn's request for rehearing. Mr. McClory stated that there was no new information for the Board to consider.

**Motion:** Mr. Dave Byers moved to reject Ms. Dunn's request for rehearing.

Mr. Steve Zeman seconded the motion

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

### **4. Presentation, Discussion and Appropriate Action Regarding 2007 ASRS Legislation**

Mr. Pat Klein, Assistant Director, External Affairs, and Ms. Lesli Sorensen, Government Relations Officer, presented the current status of bills affecting the ASRS. The Board was updated regarding the status of HB 2141, HB 2145, HB 2146, HB 2147, HB 2148, SB 1060, SB 1199, SB 1200, HB 2023, HB 2311, and SB 1556.

### **5. Presentation, Discussion and Appropriate Action Regarding the Supplemental Retirement Savings Plan (SRSP) Amendment**

Ms. Lesli Sorensen, Government Relations Officer, addressed the Board regarding the Supplemental Retirement Savings Plan (SRSP) Amendment. Ms. Sorensen explained that while preparing recommended changes to the SRSP statutes, staff determined that the statute allowed a member to contribute a dollar amount, rather than just a percentage of compensation, as long as the total amount contributed was not less than 1% of compensation. This change allows somewhat more flexibility for plan participants.

Ms. Sorensen also stated that it is recommended that in order to add additional flexibility for participants, the whole number percentage limitation be modified to allow for partial percentages.

**Motion:** Mr. Steve Zeman moved to adopt the ASRS Supplemental Retirement Savings Plan as it has been Third Amended and Restated in the form circulated to the Board;

*And*

Moved to authorize and direct the Director of the ASRS to execute such Amended and Restated Plan for and on behalf of the Board.

Mr. Tom Connelly seconded the motion

By a vote of 8 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

## **6. Presentation, Discussion and Appropriate Action Regarding the Private Equity Asset Class and Private Equity Consultant Search**

Mr. Paul Matson, Director, addressed the Board regarding the Private Equity Asset Class and Private Equity Consultant search. Mr. Matson stated that in the fourth quarter of 2006, a Private Equity Request for Proposal (RFP) was issued. The ASRS received responses from ten firms offering private equity consulting services. A Private Equity Consultant Search Committee was established to coordinate the selection and evaluation activities associated with the RFP respondents. Evaluation criteria were primarily based upon: depth of overall private equity expertise, consulting and administrative capabilities; quality and reputation of consulting personnel; quality of existing client relationships and references; and cost.

Mr. Matson explained that if Trustees wished to discuss specific topics regarding this agenda item they must adjourn to Executive Session.

Mr. Jaime Gutierrez, Trustee, excused himself from the Board meeting at 9:10 a.m.

**Motion:** Mr. Tom Connelly moved to recommend the Board approve the award of the ASRS Private Equity Consultant contract to Ennis Knupp;

*And*

Award contracts to Meketa Investment Group and Franklin Park as back-up consultants for Private Equity.

Mr. Larry Trachtenberg seconded the motion

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

## **7. Presentation, Discussion and Appropriate Action Regarding ASRS Real Estate Program Strategic Plan**

Mr. Gary Dokes, Chief Investment Officer, Mr. Eric Rovelli, Real Estate Portfolio Manager, and Ms. Micolyn Yalonis, Principal, The Townsend Group, addressed the Board regarding the ASRS Real Estate Program Strategic Plan. Mr. Dokes stated that on May 19, 2006, the ASRS Board approved changes to the existing ASRS Real Estate Program Strategic Plan. Pursuant to this date, discussions between Townsend, the ASRS Real Estate Consultant, and staff were held, which resulted in the recognition of the need to make additional modifications to the ASRS Real Estate Program Strategic Plan.

**Motion:** Mr. Larry Trachtenberg moved to recommend that the Board approve the Real Estate Program Strategic Plan as modified.

Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

## 8. Presentation, Discussion and Appropriate Action Regarding the International Equity Investment Managers Reporting for the Quarter Ending 12/31/06

Mr. Gary Dokes, Mr. Dan Kapanak, Manager of Investment Analysis, and Mr. Terry Dennison, Principal, Mercer Consulting, addressed the Board regarding the International Equity Investment Managers reporting for the quarter ending December 31, 2006. Mr. Dokes stated that as of December 31, 2006, the total market value of the ASRS International Equity asset class was \$4.5 billion, or approximately 17% of the ASRS total fund. International equity assets are currently managed in six portfolios: five active portfolios and one enhanced passive portfolio. International Equity assets are managed by style: core, growth and value. Eleven percent of the International Equity assets are managed in small cap mandates.

ASRS International Equity Manager Mandates Overview (as of December 31, 2006):

Manager	Style	Benchmark	Inception	Expected Alpha (bp)	Portfolio Assets (\$mil)	Strategy Assets (\$mil)
<b>Large Cap</b>						
<b>Brandes (Active)</b>	Value	MSCI ACWI ex-U.S.	9/30/98	250	\$1,714	\$51,305
<b>MFS (Active)</b>	Core/ Growth	MSCI ACWI ex-U.S.	7/31/05	200	\$888	\$16,809
<b>Hansberger (Active)</b>	Growth	MSCI ACWI ex-U.S.	7/31/05	300	\$713	\$9,543
<b>BGI (Enh. Passive)</b>	Core	MSCI ACWI ex-U.S.	9/30/05	100	\$702	\$63,359
<b>Small Cap</b>						
<b>AXA Rosenberg (Active)</b>	Small Cap	MSCI EAFE Small Cap	8/31/05	400	\$315	\$7,000
<b>DFA (Active)</b>	Small Cap	MSCI EAFE Small Cap	8/31/05	300	\$172	\$7,124

## 9. Director's Report

Mr. Paul Matson clarified to the Board the purpose of the correspondence chart found in the Director's Report section of the Board book. Mr. Matson explained that a member brought up concerns about the accuracy of this report at the March Board meeting but the chart is in fact correct. The correspondence chart reflects only new correspondence for the month being reported.

Mr. Matson also discussed the recent delay in the mailing of retirement checks. Mr. Matson explained that the problem stemmed from a delay within the custodian bank as well as a delay in the U.S. postal system. The ASRS is researching ways to be more proactive when such problems may arise in the future.

#### **10. Possible Presentation Regarding Board Committee Updates**

Dr. Keith Meredith stated that there would be an External Affairs Committee meeting on May 4, 2007.

Mr. Larry Trachtenberg, Chair, Investment Committee, stated that there would be an Investment Committee meeting on June 18, 2007.

Dr. Keith Meredith stated that there would be an Operations Committee meeting on June 7, 2007.

#### **11. Board Requests for Agenda Items**

There were no requests for future agenda items.

#### **12. Call to the Public**

No members of the public requested to speak.

#### **13. The next ASRS Regular Board meeting is scheduled for Friday, May 18, 2007, at 8:30 a.m., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

#### **14. Adjournment of the ASRS Board**

Dr. Meredith adjourned the April 20, 2007 Board meeting at 10:25 a.m.

ARIZONA STATE RETIREMENT SYSTEM

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Anne Schrode, Secretary

Date

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Paul Matson, Director

Date